Council of the European Union

PRESS

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BACKGROUND BRIEF[1]
Brussels, 4 November 2022

Economic and Financial Affairs Council
Brussels, 8 November 2022

Chair: **Zbyněk Stanjura**, Minister of Finance of Czechia

European Commission representatives: Commission Vice-President Valdis Dombrovskis, Commissioner Paolo Gentiloni, Commissioner Mairead McGuinness

Starting time: 10.30

Press conferences:

- after the Eurogroup meeting (Monday evening)
- after the Economic and Financial Affairs Council (Tuesday afternoon)

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The Council will discuss the implementation of the **Basel III** regulation, reform measures intended to help reinforce the resilience of the EU **banking sector** and strengthen its supervision and risk management. It will aim to reach a general approach on the proposal.

The Council will also have a discussion on those parts of the **Eurovignette** directive which concern the **taxation of heavy goods vehicles** for the use of road infrastructures.

Ministers will discuss the **economic and financial impact of the Russian aggression against Ukraine.** Since the start of the war, this is a regular agenda item for Economic and Financial Affairs Council meetings. Ministers will give political guidance regarding the way forward on a more structural solution for the EU's financial assistance for Ukraine in 2023.

Economy and finance ministers will take stock of the implementation of the **Recovery and Resilience Facility (RRF).** The presidency will inform ministers on the state of play as regards current legislative proposals in the field of **financial services**. The Council is expected to approve conclusions on EU **statistics**.

The Chair of the **European Fiscal Board** (EFB) will present the EFB's 2022 annual report. The presidency and the Commission will inform ministers on the outcome of the **G20** meeting of Finance Ministers and Central Bank Governors on 12-13 October 2022 and the **IMF** annual meetings.

As an item without discussion, the Council will approve a **budgetary transfer of €668 million in support of victims** of the flood in Germany, Austria, Netherlands, Belgium and Luxemburg, the earthquake in Greece and the volcano eruption on the Canary Islands.

At an informal Ecofin breakfast at 9:30, ministers will discuss the **current economic situation** and hear a **debriefing on the Eurogroup meeting** of 7 November. The Commission will inform ministers on the **inflation reduction act** and on the consequences of this new US legislation for the EU.

[1] This note has been drawn up under the responsibility of the press office.

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The **Eurogroup** will meet on Monday 7 November at 15.00.

In regular format it will discuss:

- Economic developments and outlook for the euro area
- Fiscal policy in the euro area: update on the Draft Budgetary Plans process and the way forward on policy coordination
- Budgetary measures to mitigate the impact of high energy prices: Commission update
- Debrief on and discussion of international meetings
- Miscellaneous
  - Policy priorities of the Italian government

In Banking Union format it will discuss:

- Banking Union Update: including reporting on operational aspects
  - Sixteenth hearing of the Chair of the Supervisory Board
  - Reporting on recent activities of the Single Resolution Board

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In the margins of Ecofin, there will be a ***macroeconomic dialogue with social partners*** *on Monday 7 November 2022 at 11.00.*

The social partners will have a ministerial dialogue with the presidency (plus the two next presidencies), the Commission, the European Central Bank and the Eurogroup President to exchange views on the energy crisis and its impact on the EU economy.

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On Tuesday 8 November 2022 at 8.30 there will be the annual ***ministerial dialogue between the EU and EFTA countries****. Ministers of EU member states and EFTA countries will exchange views on the current geopolitical situation, energy prices and inflation.*

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Economic and Financial Affairs Council - meeting page

Eurogroup - meeting page

Economic and Financial Affairs Council - video coverage in broadcast quality (MPEG4) and photo gallery

Eurogroup - video coverage in broadcast quality (MPEG4) and photo gallery

Press conferences and public events by video streaming

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Basel III implementation

The Council will discuss the implementation of the Basel III regulation, reform measures intended to help **reinforce the resilience of the EU banking sector** and strengthen its supervision and risk management, with the aim of agreeing its position (general approach) on the remaining two proposals of the Commission's 2021 banking package for the implementation of Basel III. The two remaining pieces of legislation are:

- Proposal to amend the **capital requirements directive VI** (CRD VI) - The proposal aims to strengthen the EU regulatory and supervisory landscape for banks by closing loopholes for third country branches, by strengthening and harmonising supervisory tools and powers in important areas and by ensuring that supervisors are sufficiently independent from economical and political influence and by incorporating environmental, social and governance related risks.
- Proposal to amend the **capital requirements regulation 3** (CRR3) - The proposal aims to reinforce and facilitate the allocation of capital and liquidity within banking groups in Europe while ensuring financial stability.

Background

The Commission proposal aims to **complete the implementation of Basel III international agreements into EU law**. Basel III comprises a number of measures agreed by the Basel Committee for Banking Supervision to enhance prudential regulatory standards, supervision and risk management of banks as a response to the global financial crisis of 2007/2008.

The capital requirements directive proposal contains provisions on

- the supervision of third country bank branches providing services within the EU;
- the independence of supervisory authorities from political and economical influence;
- the harmonisation of supervisory powers of national competent authorities and the ECB (notably on mergers, divestitures, fit and proper assessments, administrative sanctions and penalties etc.);
- the treatment of economic, social and governance related risks for banks, notably within the bank internal risk management framework and the supervisory review of this framework.

The capital requirements regulation proposal aims at strengthening bank resilience without imposing a significant increase in their capital requirements. Notably, the framework for credit risk and operational risk will be further improved and supported by a so called "output floor" which aims at reducing unjustified variances in banks' risk metrics.

Commission proposal amending directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks, and amending directive 2014/59/EU

Commission proposal amending regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor

Banking Union (background information)

Eurovignette directive – heavy goods vehicle taxation

The Council will discuss those parts of the Eurovignette directive which concern the taxation of trucks.

Background

On 31 May 2017, the Commission issued its proposal to amend directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures, as regards certain provisions on vehicle taxation. The proposal was presented together with another proposal to amend directive 1999/62/EC as regards tolls and user charges as part of the first mobility package. Together, these two proposals were meant to promote the application of a form of road charging that is related to the distance travelled, so as to incentivise cleaner, more efficient road transport operations.

Whereas the proposal on tolls and user charges aimed to extend the road pricing principle to more vehicles, to phase out time-based charges ("vignettes") and to make the methodologies for calculating charges simpler and greener, the objective of the proposal on vehicle taxation was to offer more scope for the lowering of vehicle taxes as laid down in directive 1999/62/EC to zero.

The European Committee of the Regions issued its opinion on the proposal on vehicle taxation on 31 January 2018, the European Economic and Social Committee on 2 March 2018 and the European Parliament on 26 April 2018.

Commission proposal amending directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures, as regards certain provisions on vehicle taxation

Clean and sustainable mobility (background information)

Financial services

In public session, the presidency will present the state of play as regards current legislative proposals in the field of financial services.

On 19 October, the co-legislators reached a provisional agreement on European long-term investment funds (ELTIF). There is progress on several other legislative proposals as well.

Progress report (28 October 2022)

European long-term investment funds: Provisional agreement reached (press release, 19 October 2022

Digital finance (background information)

Capital markets union (background information)

Economic and financial consequences of Russia's military aggression against Ukraine

Ministers will discuss the economic and financial impact of the Russian aggression against Ukraine. Since the start of the war, this is a regular agenda item for Economic and Financial Affairs Council meetings.

In their discussion, ministers will focus on

- the state-of-play on the **implementation of sanctions** against Russia and Belarus;
- **financial market aspects** of the Commission's proposals of 18 October for an enhanced framework for action to respond to the energy challenges;
- giveing political guidance regarding the way forward on **a more structural solution for the EU's financial assistance for Ukraine in 2023**.

Background

EU economy and finance ministers continue to follow these developments closely. Support for Ukraine and its post-war recovery is one of the political priorities of the Czech presidency.

At the **European Council meeting of 20 October**, EU heads of state and government adopted conclusions which stressed that "The European Union has further reinforced its restrictive measures against Russia and stands ready to continue to do so. The European Council stresses the importance of ensuring effective implementation, preventing circumvention and its facilitation, and calls on all countries to align with EU sanctions. Efforts in this regard should be stepped up. The European Council discussed how to further increase collective pressure on Russia to end its war of aggression."

European Council conclusions, 20-21 October 2022 (press release, 21 October 2022)

Council adopts additional €5 billion assistance to Ukraine (press release, 20 September 2022)

EU solidarity with Ukraine (background information)

EU response to Russia's invasion of Ukraine (background information)

Energy prices and security of supply (background information)

NextGenerationEU

Ministers will take stock of the implementation of the **Recovery and Resilience Facility (RRF),** following a presentation by the European Commission on the state of play.

Background

The Recovery and Resilience Facility is part of NextGenerationEU, the EU's coordinated response to the challenges the pandemic has posed to the European economy and to prepare it for the green and digital transitions. It will provide up to €672.5 billion to support the reforms and investments outlined in the member states' recovery and resilience plans.

At present, all member states have submitted their Recovery and Resilience Plans (RRPs), setting out the reforms and investments they intend to undertake. The Commission has completed the assessment of 26 of them, at the same time adopting proposals for Council Implementing Decisions (CIDs) approving the assessment of each plan. Those CIDs have been subsequently adopted by the Council. The most recently adopted CID is the one of the Netherlands, its adoption was finalised on 4 October. Hungary's RRP is still under review by the Commission.

NextGenerationEU: Council gives go-ahead to national plan of the Netherlands (press release, 4 October 2022)

A recovery plan for Europe (background information)

Statistics

The Council is expected to approve conclusions on EU statistics. The conclusions review progress made on priorities in the area of statistics that were set by the Ecofin Council last year and provide guidance for further work. In particular, in the conclusions the Council will review progress as regards

- information requirements in the Economic and Monetary Union (EMU),
- statistics used for the excessive deficit procedure,
- the surveillance of macroeconomic imbalances and
- structural statistics.

This year, the conclusions also welcome the response of the European Statistical System (ESS) to the **need for new and timelier statistics prompted by the Russian war of aggression against Ukraine**, notably with respect to statistics on energy, supply chains, migration and the labour market, and encourages the ESS to provide relevant support to the Ukrainian statistical authorities.

The conclusions were prepared taking into account reports from the EU statistical bodies on the developments and progress achieved in quality, production and dissemination of EU statistics, as well as plans for further improvement.

Background

Given the importance of high quality, comparable and reliable statistics for EU economic policy making, and especially for the economic policy coordination, the Ecofin Council approves conclusions on EU statistics in autumn each year.

The conclusions evaluate the progress achieved during the past year in the area of statistics (information requirements in the economic and monetary union, statistics for the excessive deficit procedure and surveillance of macroeconomic imbalances, as well as structural statistics) and provide guidance for further work.

EFC status report on information requirements in the Economic and Monetary Union

G20 and IMF annual meetings

The presidency and the Commission will inform ministers on the outcome of the G20 meeting of Finance Ministers and Central Bank Governors which took place on 12-13 October 2022 in Washington DC, and the IMF annual meetings.

G20 website

IMF website

European Fiscal Board

The European Fiscal Board Chair, Niels Thygesen, will present the 2022 annual report of the European Fiscal Board. Ministers will exchange views on the report.

European Fiscal Board annual report 2022

European Fiscal Board website

Any other business: US inflation reduction act

The Commission will inform ministers on USA’s inflation reduction act and on the consequences of this new legislation for the EU.